

Texas Workers' Compensation System Trends

**Presentation for the Workers' Compensation
2010 Biennial Rate Hearing**



**Texas Department of Insurance
Workers' Compensation Research and Evaluation Group
November, 2010**

Key Legislative and Regulatory Implementation Dates 2001-2008

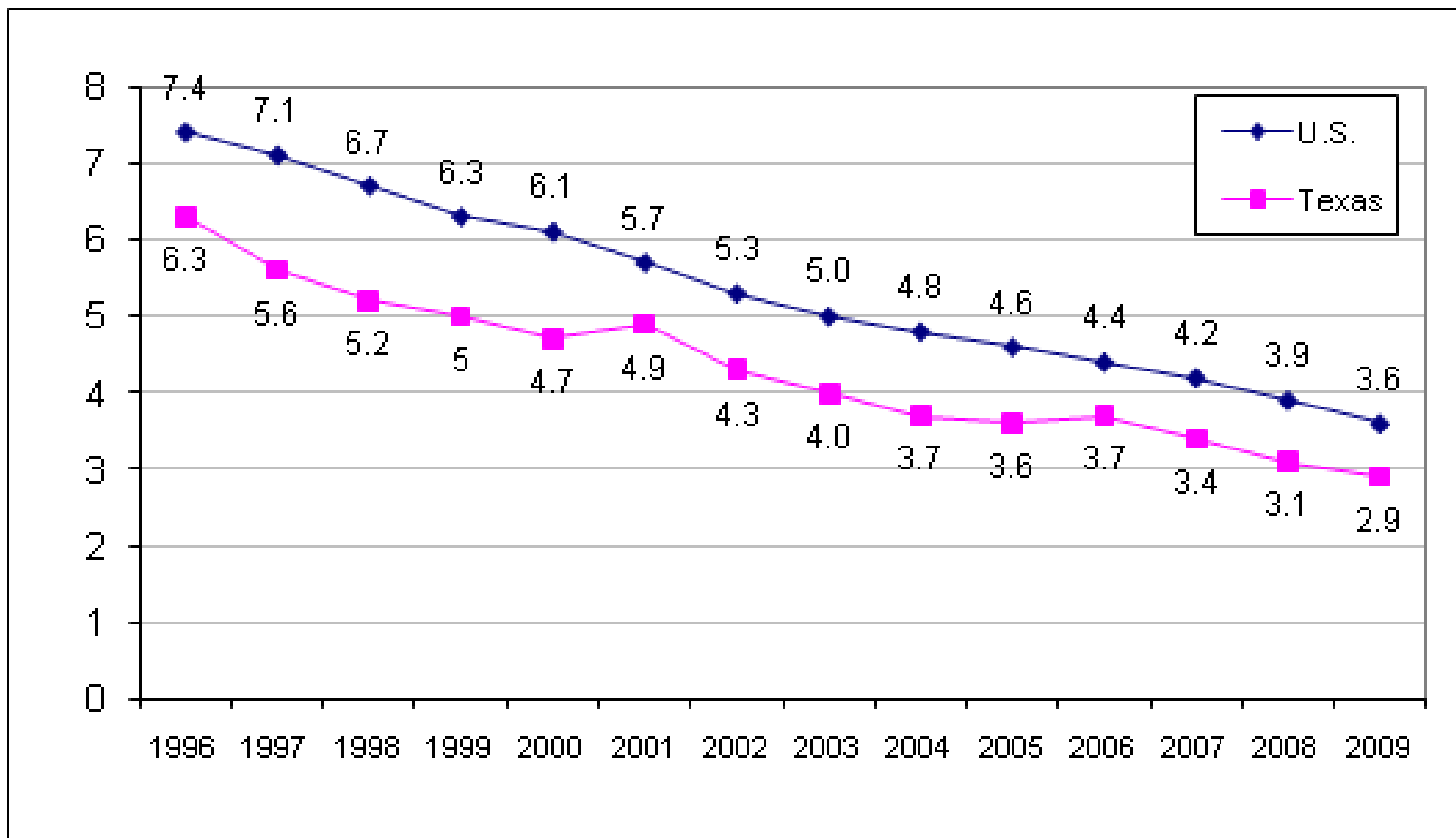
- June 17, 2001 – HB 2600 (Rep. Brimer, Sen. Duncan)
- August 1, 2003 – effective date of new Medicare-based professional service fee guideline
- September 1, 2005 - HB 7 (Rep. Solomons, Sen. Staples)
- April 2006 – first workers' compensation network certified
- May 1, 2007 – effective date of adoption of treatment and return-to-work guidelines
- March 1, 2008 – effective date of new professional service, inpatient and outpatient hospital fee guidelines



Occupational Injury Rates and Claim Frequency Trends

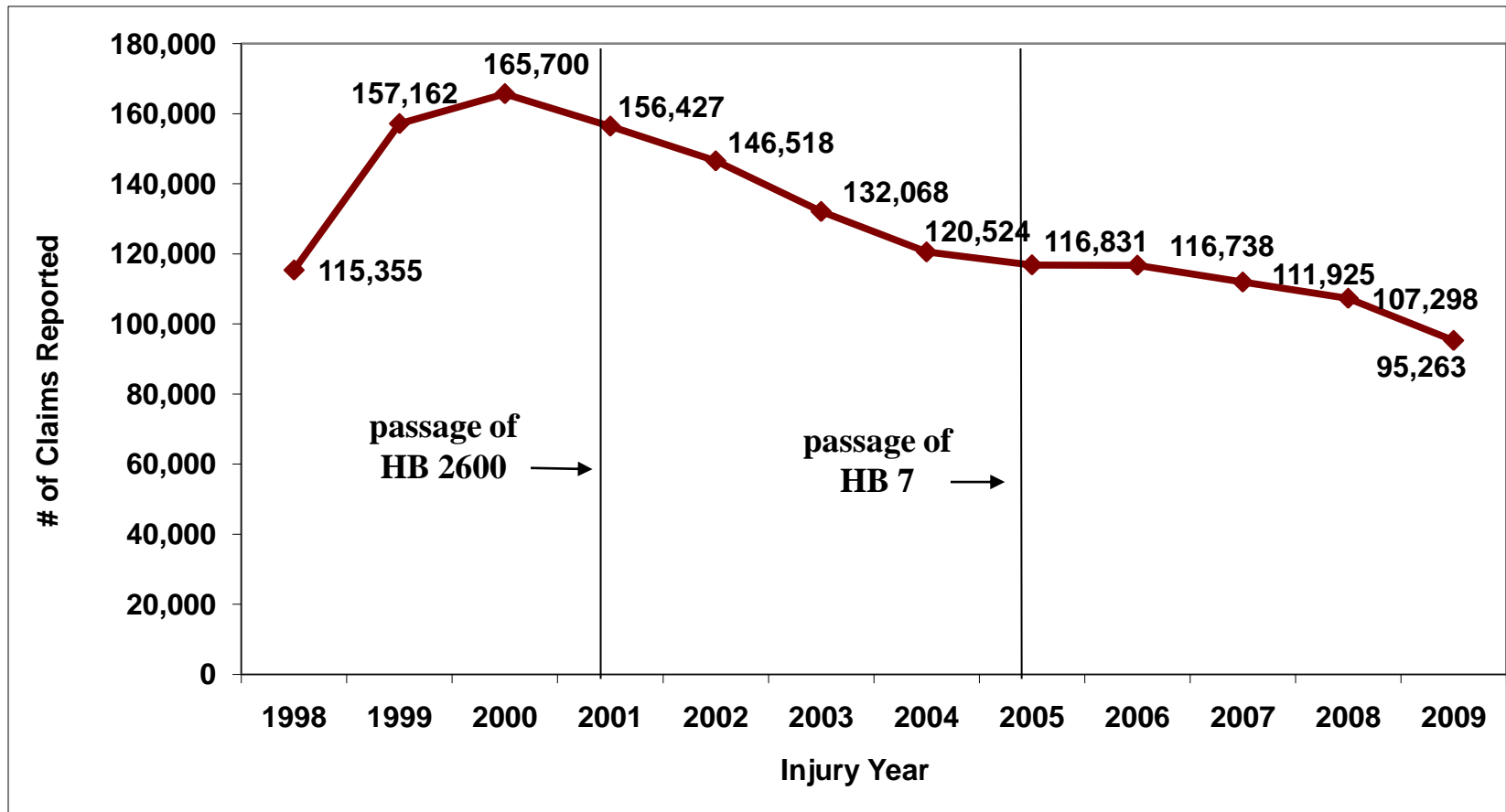


Rates of Injuries and Illnesses per 100 FTEs in Private Industry: 1996 - 2009



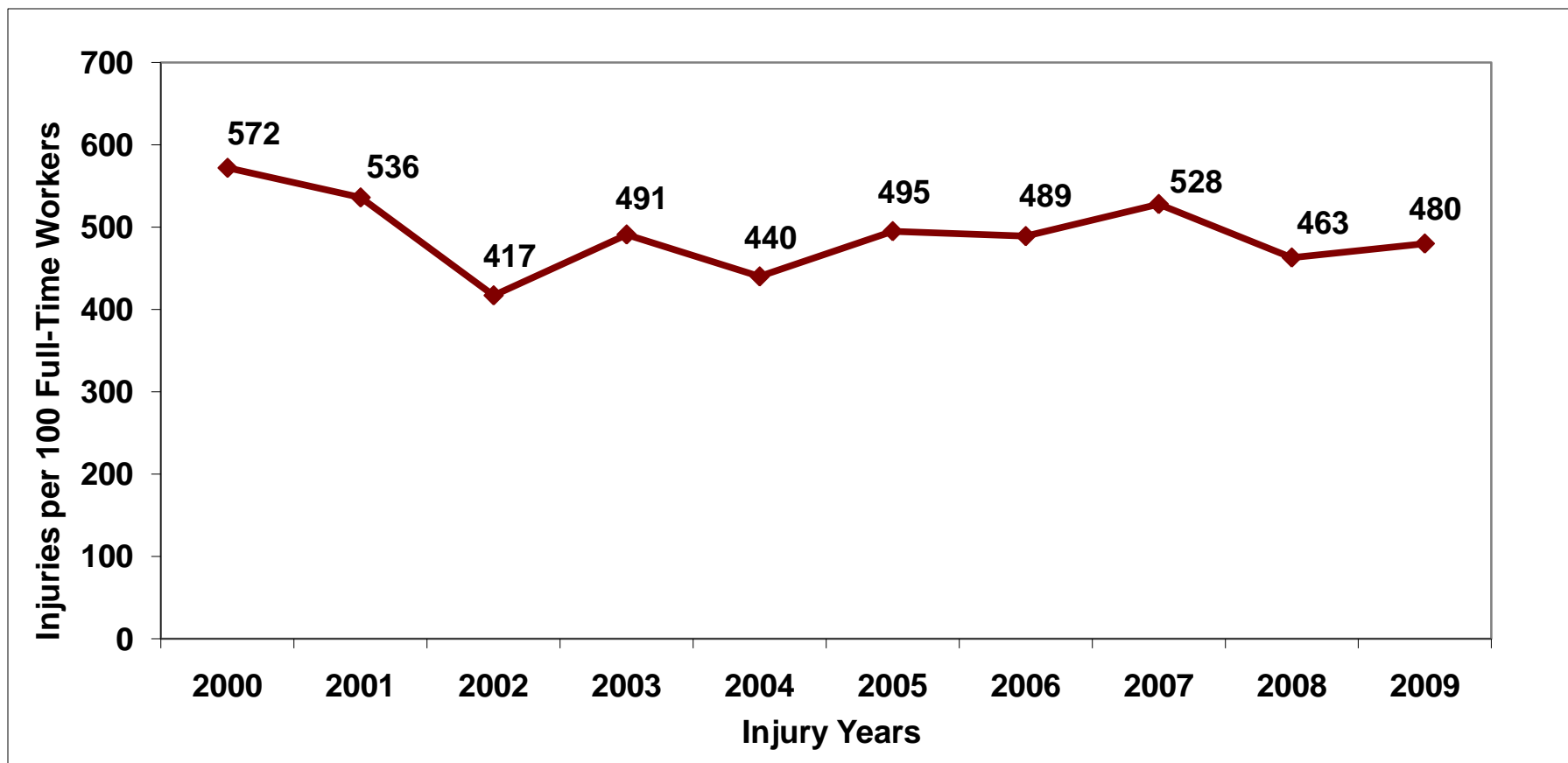
Source: Texas Department of Insurance, Division of Workers' Compensation, and the U.S. Department of Labor, Bureau of Labor Statistics, 2010.

Number of Workers' Compensation Claims Reported to the Division of Workers' Compensation, Injury Years 1998-2009



Note: These numbers include the claims that are required to be reported to DWC, including fatalities, occupational diseases, and injuries with at least one day of lost time. Medical-only claims are not required to be reported to DWC. Source: Texas Department of Insurance, Division of Workers' Compensation, 2010.

Number of Fatal Occupational Injuries in Texas Injury Years 2000 - 2009



Source: Texas Department of Insurance, Division of Workers' Compensation, and the U.S. Department of Labor, Bureau of Labor Statistics, 2010.

Return-to-Work Outcomes for Texas Injured Workers



Initial Return-to-Work Rate

**Percentage of Injured Workers Back At Work for the First Time,
6 Months to 3 Years Post-Injury: Injury Years 2004-2009**

Injury Year	Within 6 Months Post Injury	Within 1 Year Post Injury	Within 1.5 Years Post Injury	Within 2 Years Post Injury	Within 3 years Post Injury
2004	74%	83%	86%	88%	93%
2005	75%	84%	87%	88%	93%
2006	75%	86%	90%	92%	94%
2007	76%	87%	91%	93%	
2008	78%	88%	94%		
2009	80%				



Source: *Survey of Employer Participation in the Texas Workers' Compensation System*, Texas Department of Insurance Workers' Compensation Research and Evaluation Group , 2010.

Mean and Median Days Off Work for Injured Workers Who RTW At Some Point Post Injury, Injury Years: 2004-2008

Injury Year	Mean days off work	Median days off work
2004	97	26
2005	90	24
2006	86	22
2007	75	22
2008	57	21

Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.

Note 1: "Days Off Work" was defined as days from the injury date to the initial RTW date. Please note that these numbers do not take into account any additional time off work that may have occurred after the initial RTW date.

Note 2: The analysis was based on the claimants who returned to work, and did not include those who did not return by the end of 2009. Injury year 2009 was excluded because of insufficient data.



Median Temporary Income Benefit (TIBs) Payment and Duration, Injury Years 2000-2008

Injury Year	Median TIBs Payment per Claim	Mean TIBs Payment per Claim	Median Number of Weeks of TIBs Paid	Mean Number of Weeks of TIBs Paid
2000	\$2,030	\$7,320	7.0	25
2001	\$2,488	\$7,311	8.0	39
2002	\$2,564	\$6,884	8.6	58
2003	\$2,478	\$6,528	8.0	32
2004	\$2,156	\$6,739	7.3	18
2005	\$1,995	\$6,341	7.0	16
2006	\$1,924	\$5,954	6.0	17
2007	\$2,128	\$6,517	8.4	17
2008	\$2,268	\$6,708	6.0	16

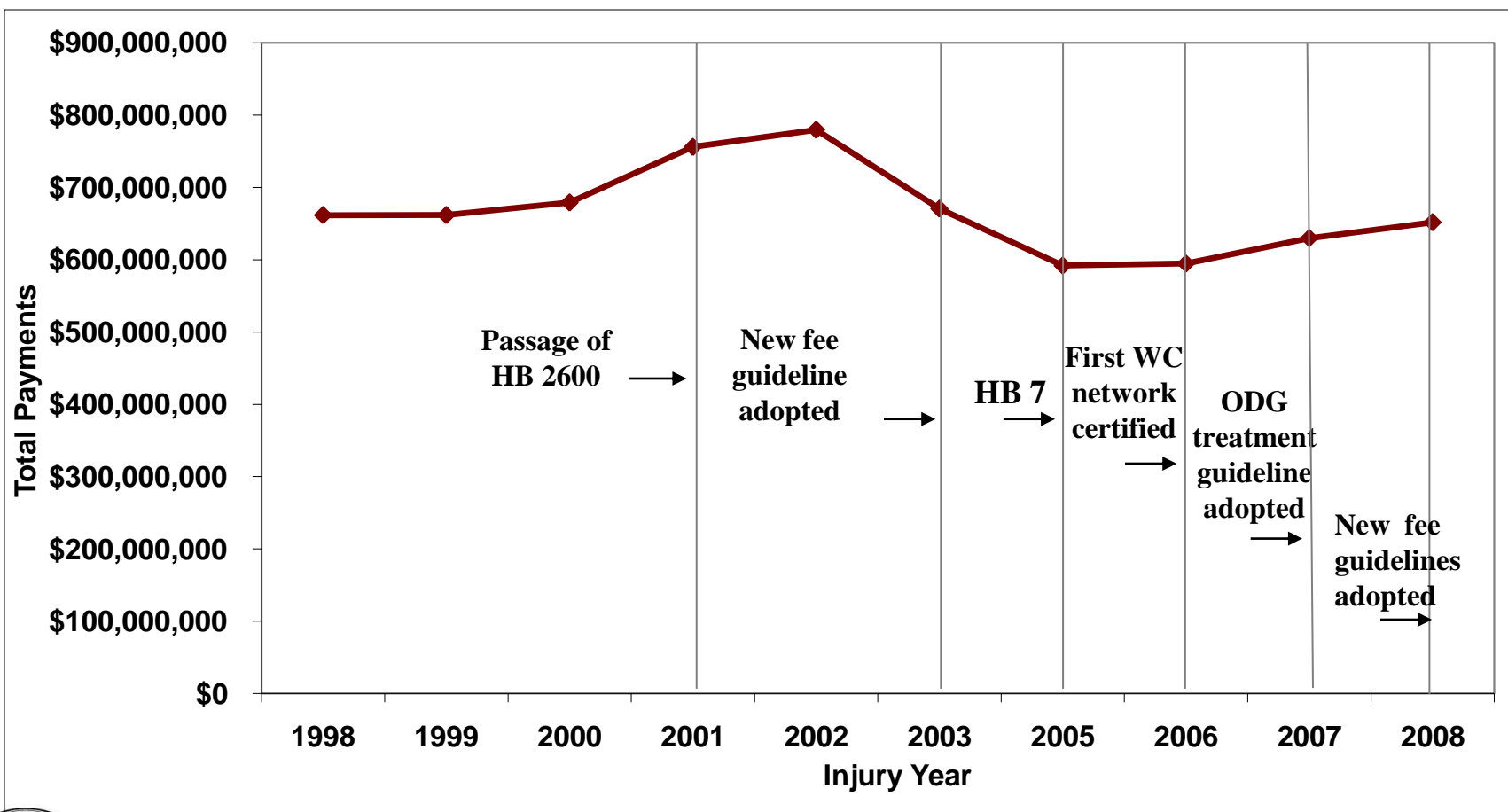


Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.

Medical Costs and Utilization



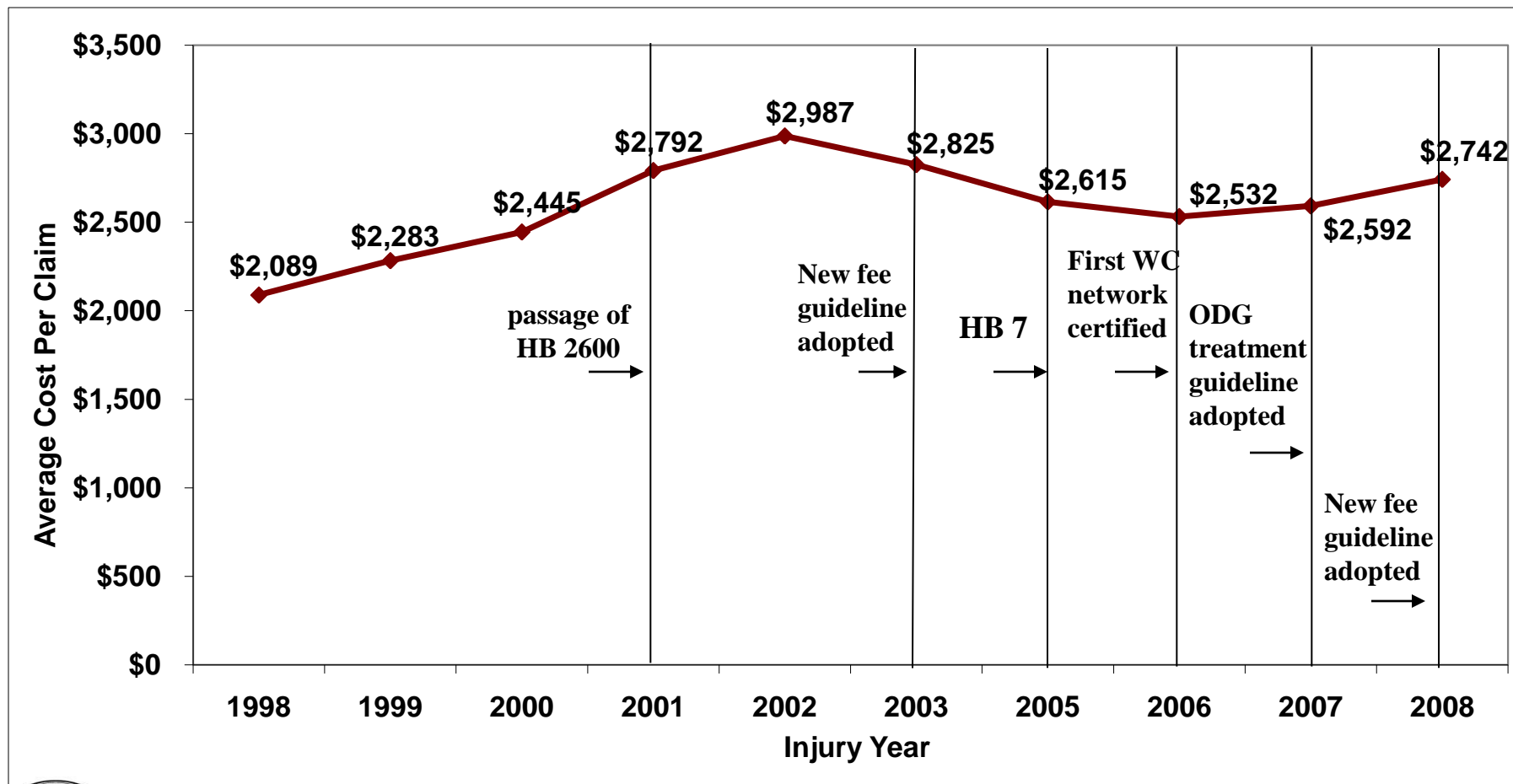
Total Medical Payments (Professional and Hospital), One-Year Post Injury, Injury Years 1998-2008



Note: Injury Year 2004 was excluded from this analysis due to missing data.

Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.

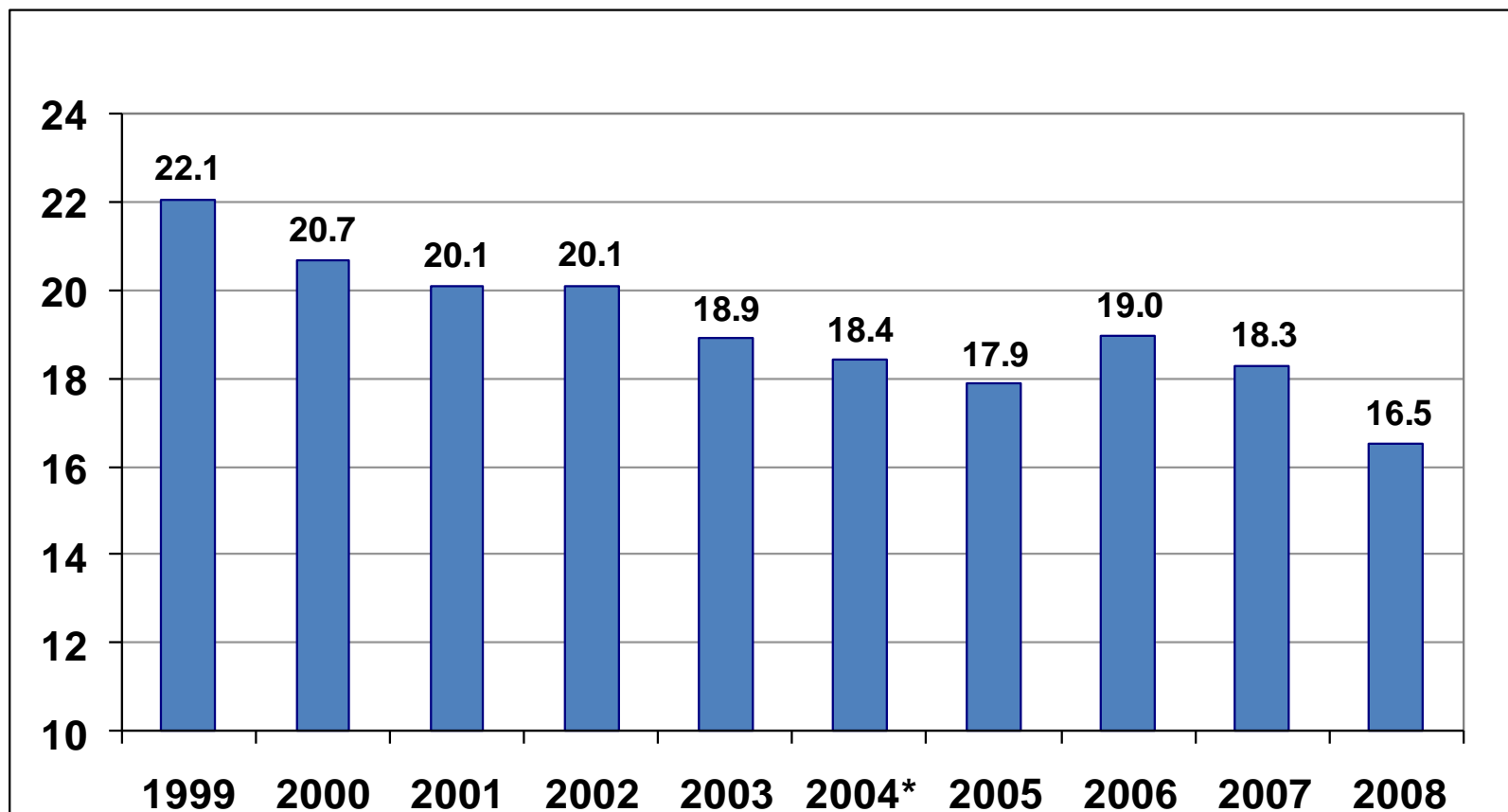
Average Medical Cost (Professional and Hospital Costs) Per Claim, One-Year Post Injury, Injury Years 1998-2008



Note: Injury Year 2004 was excluded from this analysis due to missing data.

Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.

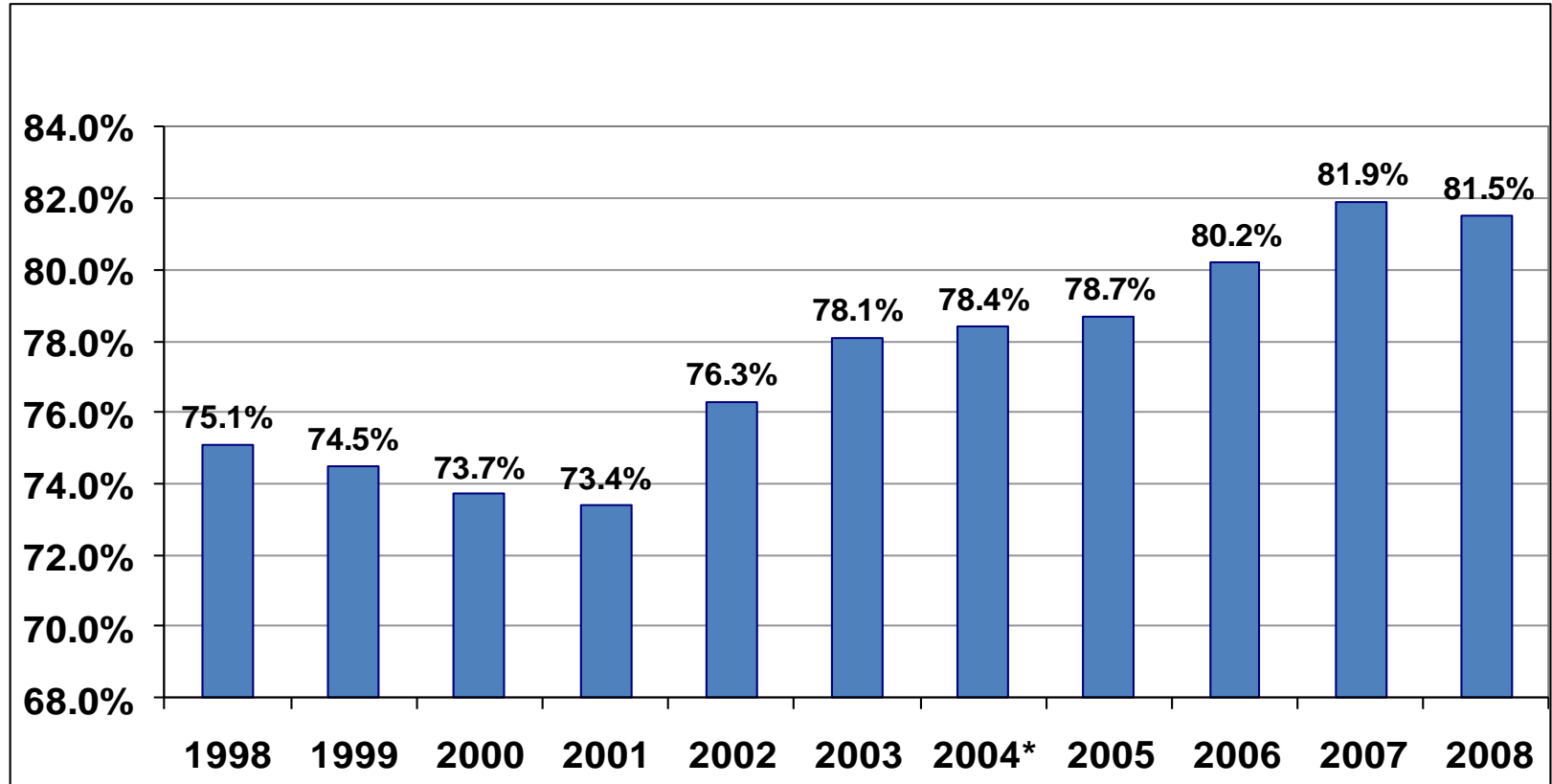
Average Number of Claims per WC Participating Physician: 1999 - 2008



Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.

*2004 shows an average of 2003 and 2005 due to incomplete data.

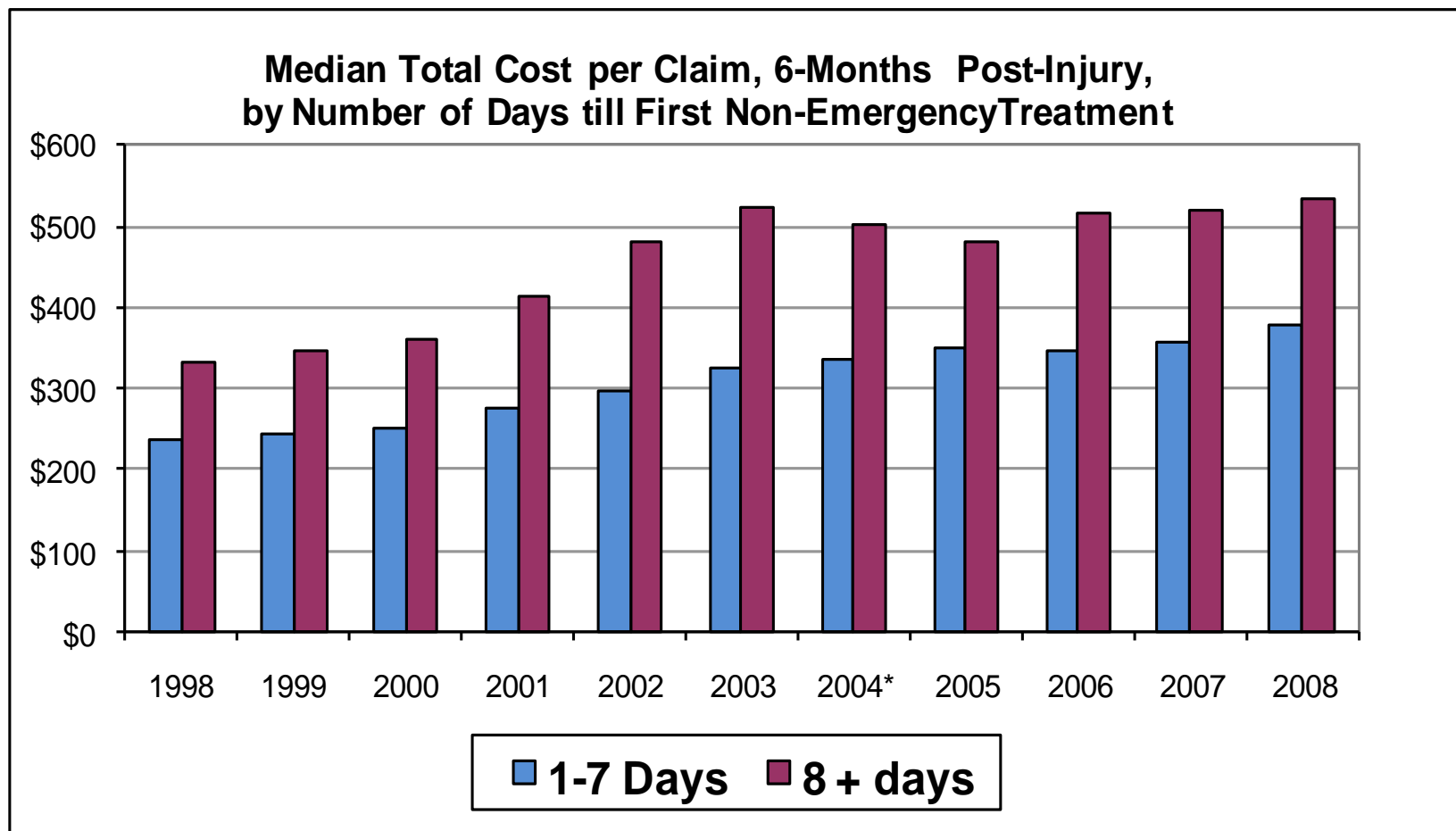
Percentage of Claims That Received The First Non-emergency Service Within 7 Days After The Injury: 1998 - 2008



Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.

*2004 shows an average of 2003 and 2005 due to incomplete data.

Initial Access and Median Total Costs



Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.

*2004 shows an average of 2003 and 2005 due to incomplete data.

Professional Utilization and Cost

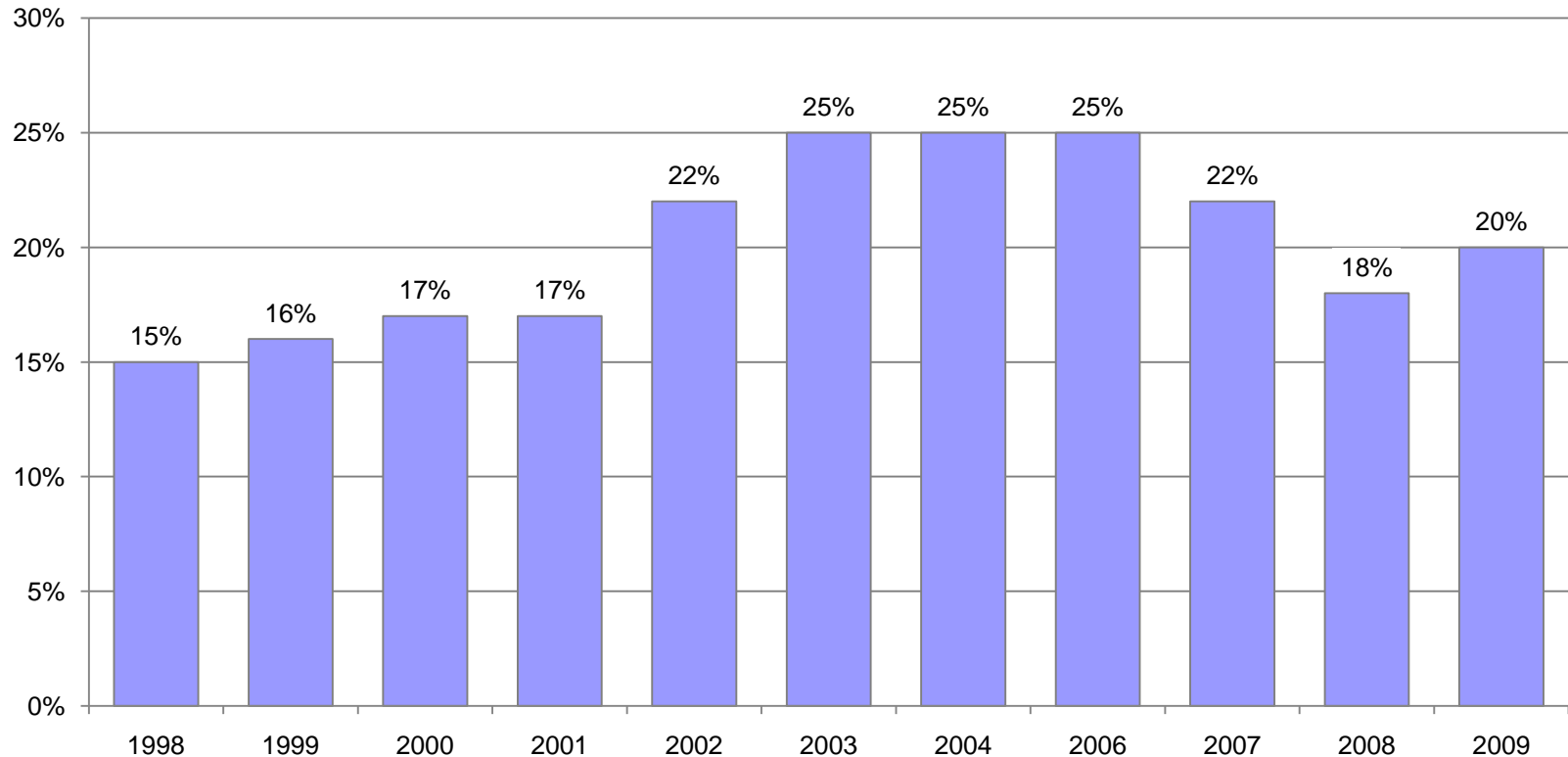
- From 2005 to 2008:
 - Total professional costs decreased by 24%.
 - Average professional claim cost decreased by 17%.
 - 12% from preauthorization effect in 2006; 5% in 2007 from ODG guideline effect and residual preauthorization effect
- Given stable fees, cost reductions are attributed primarily to decreases in service utilization.



Claim and Medical Denial Trends



Percentage of Medical Services Denied for the Top 25 Workers' Compensation Carriers for Service Years 1998-2009

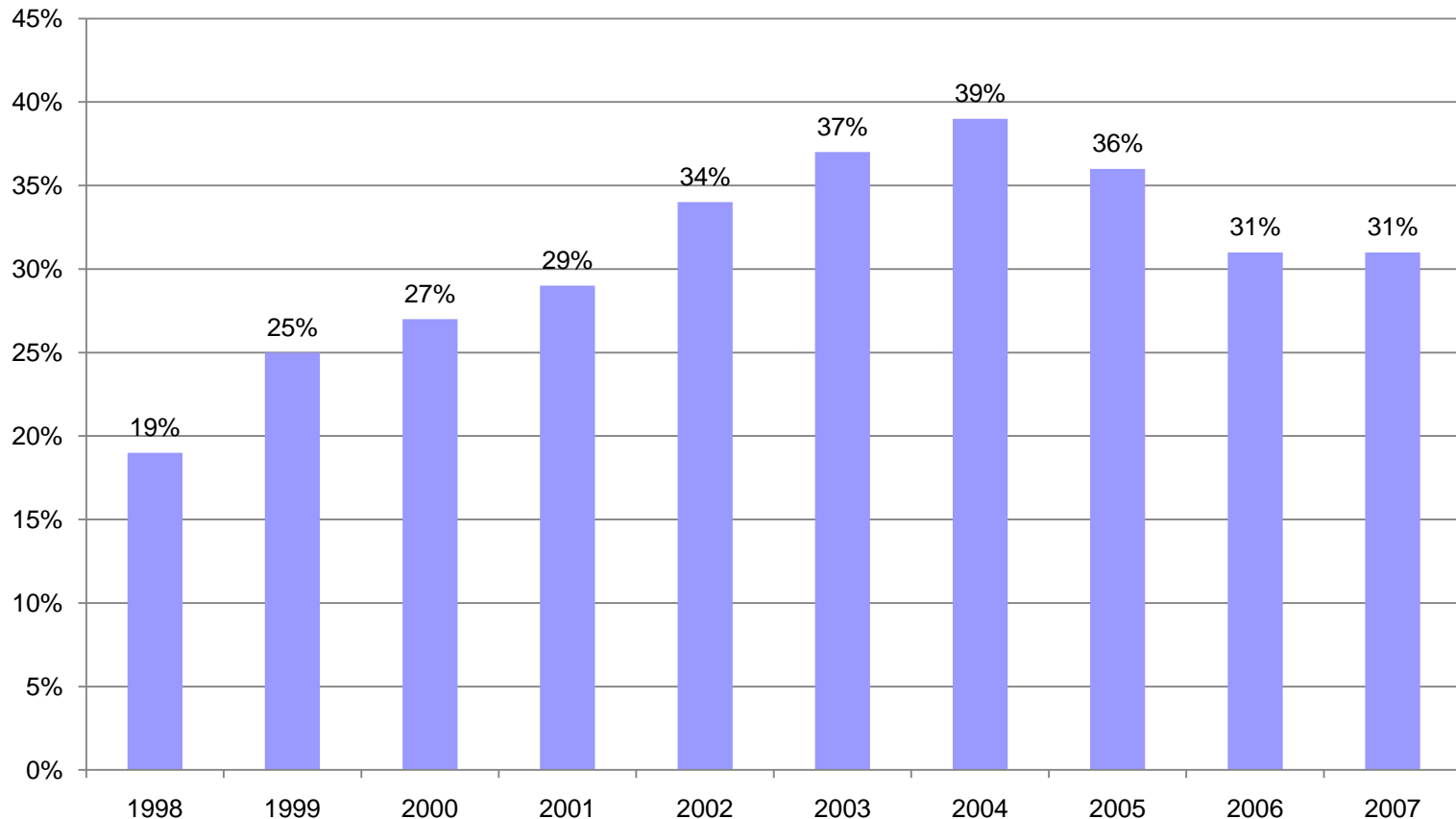


Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.

Note 1: House Bill (HB) 2600, a workers' compensation reform bill aimed at reducing medical costs was passed in 2001.

Note 2: Denial rates for 2005 not reported due to missing data.

Percentage of Reportable Claims That Are Initially Denied/Disputed for the Top 25 Workers' Compensation Carriers, Injury Years 1998-2007

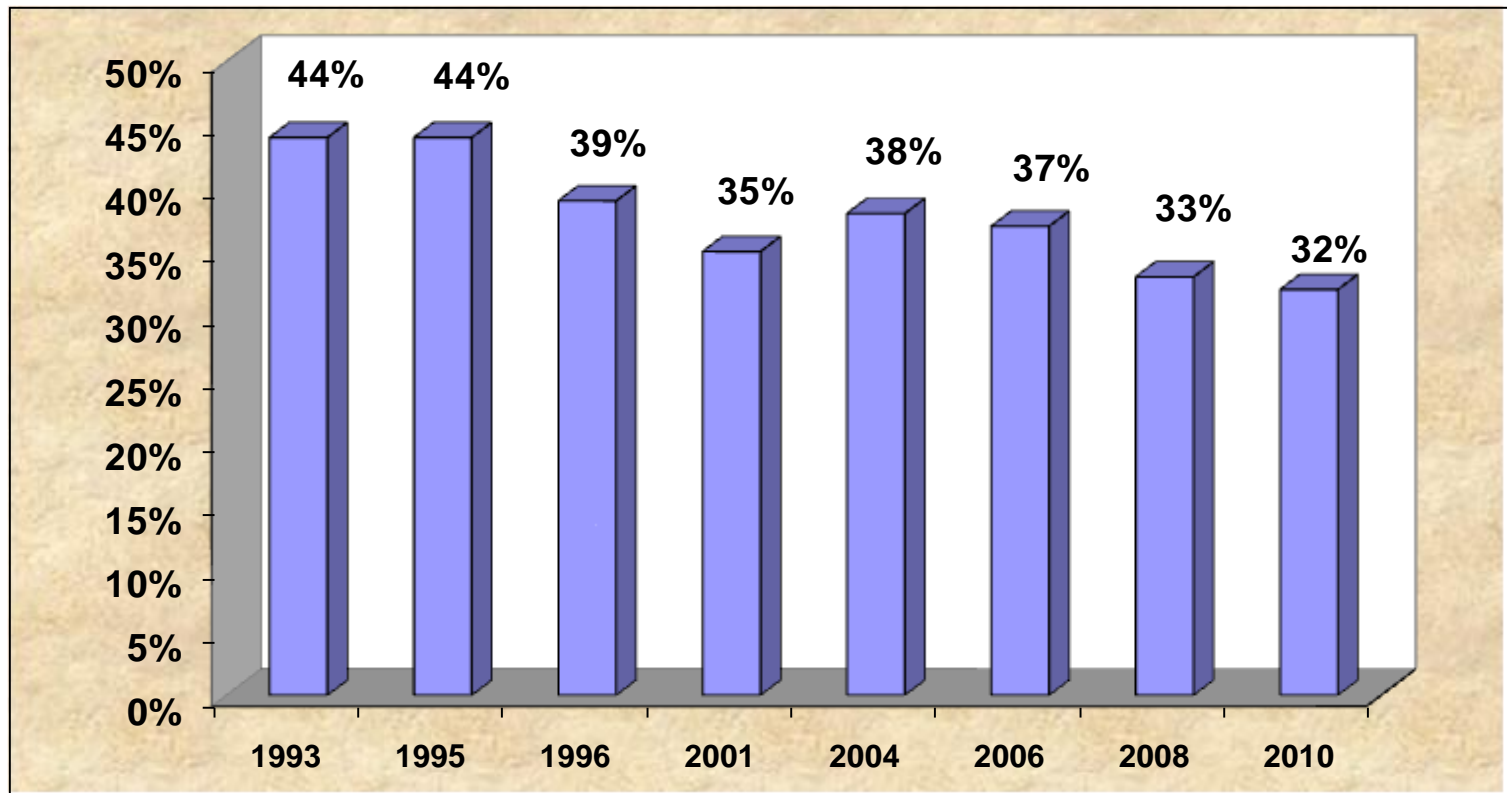


Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.

Employer and Employee Participation Rates in the Texas WC System

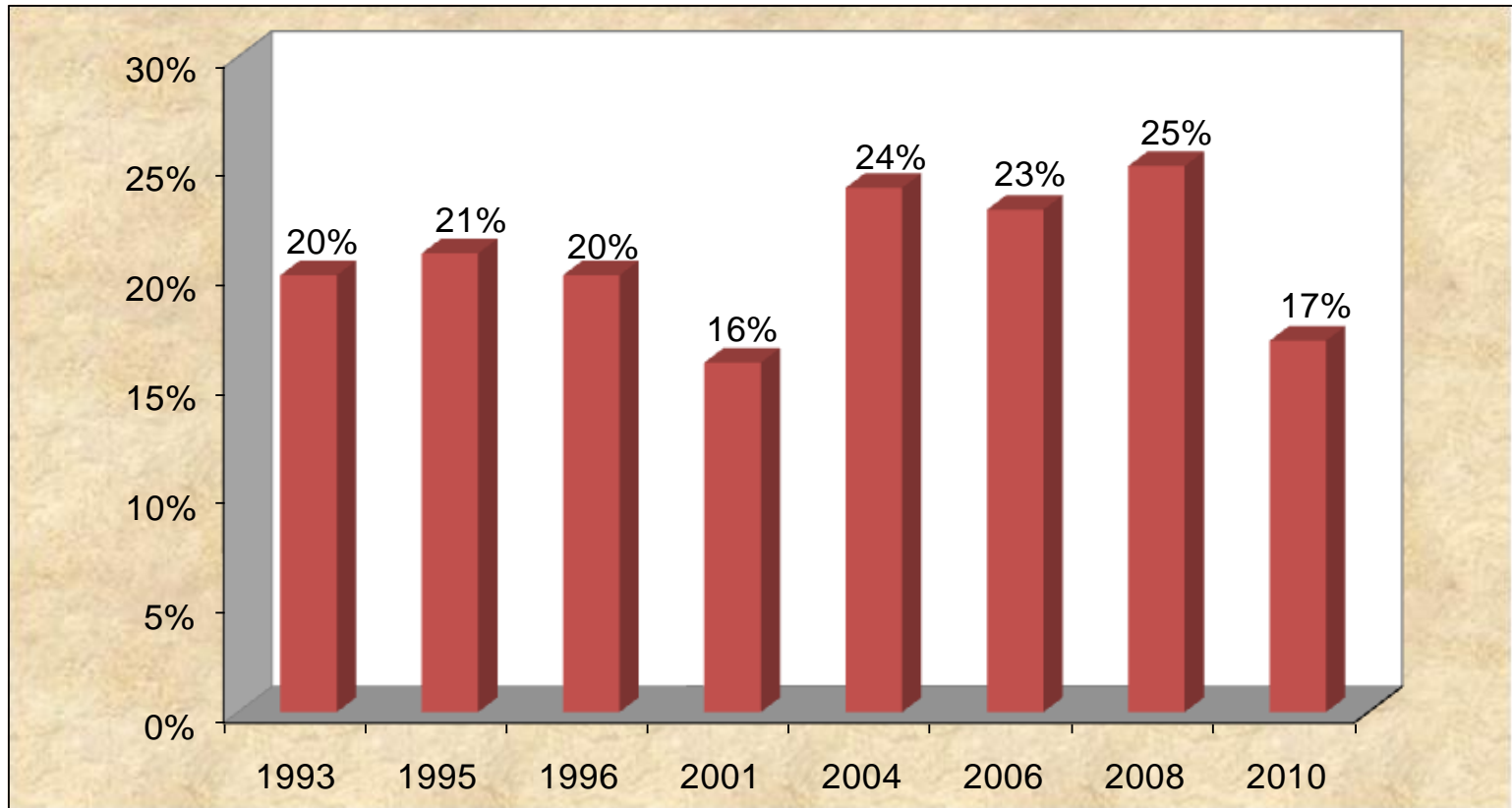


Percentage of Texas Employers That Are Non-subscribers, 1993-2010



Source: *Survey of Employer Participation in the Texas Workers' Compensation System*, 1993 and 1995 estimates from the Texas Workers' Compensation Research Center and the Public Policy Research Institute (PPRI) at Texas A&M University; 1996 and 2001 estimates from the Research and Oversight Council on Workers' Compensation and PPRI; and 2004 - 2010 estimates from the Texas Department of Insurance Workers' Compensation Research and Evaluation Group and PPRI.

Percentage of Texas Employees That Are Employed by Non-subscribers, 1993-2010



Source: *Survey of Employer Participation in the Texas Workers' Compensation System*, 1993 and 1995 estimates from the Texas Workers' Compensation Research Center and the Public Policy Research Institute (PPRI) at Texas A&M University; 1996 and 2001 estimates from the Research and Oversight Council on Workers' Compensation and PPRI; and 2004 - 2010 estimates from the Texas Department of Insurance Workers' Compensation Research and Evaluation Group and PPRI.

Percentage of Texas Employers That Are Non-subscribers, by Employment Size, 1993-2010

Employment Size	1995	1996	2001	2004	2006	2008	2010
1-4 Employees	55%	44%	47%	46%	43%	40%	41%
5-9 Employees	37%	39%	29%	37%	36%	31%	30%
10-49 Employees	28%	28%	19%	25%	26%	23%	20%
50-99 Employees	24%	23%	16%	20%	19%	18%	16%
100-499 Employees	20%	17%	13%	16%	17%	16%	13%
500 + Employees	18%	14%	14%	20%	21%	26%	15%

Note: Non-subscription estimates for 1993 were based on different employer size categories than were used in later years so they are not directly comparable.

Source: *Survey of Employer Participation in the Texas Workers' Compensation System*, 1993 and 1995 estimates from the Texas Workers' Compensation Research Center and the Public Policy Research Institute (PPRI) at Texas A&M University; 1996 and 2001 estimates from the Research and Oversight Council on Workers' Compensation and PPRI; and 2004 -2010 estimates from the Texas Department of Insurance Workers' Compensation Research and Evaluation Group and PPRI.



Percentage of Texas Employers That Are Non-subscribers by Industry, 2004 - 2010 Estimates

Industry Type	Non-subscription Rate			
	2004	2006	2008	2010
Agriculture/Forestry/Fishing/Hunting	39%	25%	27%	25%
Mining/Utilities/Construction	32%	21%	28%	19%
Manufacturing	42%	37%	31%	31%
Wholesale Trade/ Retail Trade/Transportation	40%	37%	29%	32%
Finance/Real Estate/Professional Services	32%	33%	33%	33%
Health Care/Educational Services	41%	44%	39%	32%
Arts/Entertainment/Accommodation/Food Services	54%	52%	46%	40%
Other Services Except Public Administration	39%	42%	36%	42%

Note: Industry classifications were based on the 2002 North American Industry Classification System (NAICS) developed by the governments of the U.S., Canada and Mexico, which replaced the Standard Industrial Classification (SIC) system previously used in the U.S. As a result of this change in industry classifications, industry non-subscription rates for 2004 - 2010 cannot be compared to previous years.

Source: *Survey of Employer Participation in the Texas Workers' Compensation System*, Public Policy Research Institute at Texas A&M University and the Texas Department of Insurance Workers' Compensation Research and Evaluation Group, 2010.



Primary Reasons Why Subscribing Employers Said They Purchased Workers' Compensation (WC) Coverage

- ☐ Because WC coverage was available through **health care networks**
(27% overall; 29% of large employers)
- ☐ Because employer thought having WC coverage was **required by law**
(22% overall; 17% of large employers)
- ☐ Because of employer **concerns over lawsuits**
(18% overall; 12% of large employers)
- ☐ Because employer needed WC coverage **to obtain government contracts**
(3% overall; 7% of large employers in 2010 – up from 2% in 2008)
- ☐ Because employer thought WC insurance **rates were lower**
(2% overall; 2% of large employers)
- ☐ Because employer was **able to reduce its WC insurance costs** through deductibles, certified self insurance, group self-insurance or other premium discounts (increased from 3% of large employers in 2008 to 13% in 2010)



Source: *Survey of Employer Participation in the Texas Workers' Compensation System*, Public Policy Research Institute at Texas A&M University and the Texas Department of Insurance Workers' Compensation Research and Evaluation Group, 2010.

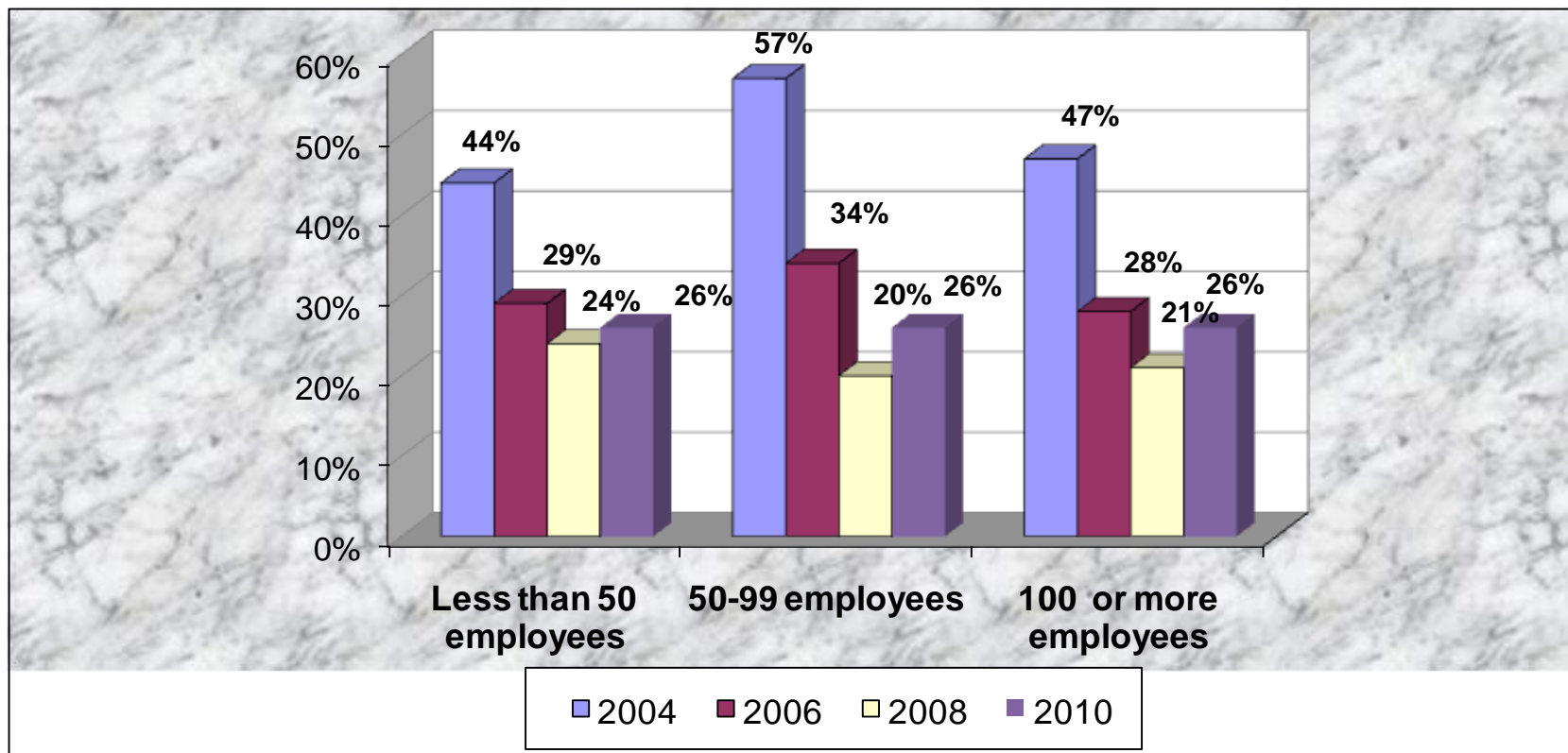
Primary Reasons Why Non-subscribing Employers Said They Did Not Purchase Workers' Compensation (WC) Coverage

- ☐ Because employer thought WC insurance **premiums were too high** (32% overall; 50% of large employers)
- ☐ Because employer felt the company **could do a better job** than the Texas workers' compensation system at ensuring that employees injured on the job receive appropriate benefits (28% of large employers)
- ☐ Because employer **had too few employees** (25% overall)
- ☐ Because employer was **not required by law** to have WC insurance (13% overall; 2% of large employers)
- ☐ Because employer thought **medical costs in the WC system were too high** (5% overall; 10% of large employers – down from 13% in 2008)
- ☐ Because employer had **few on-the-job injuries** (12% overall; 10% large employers)



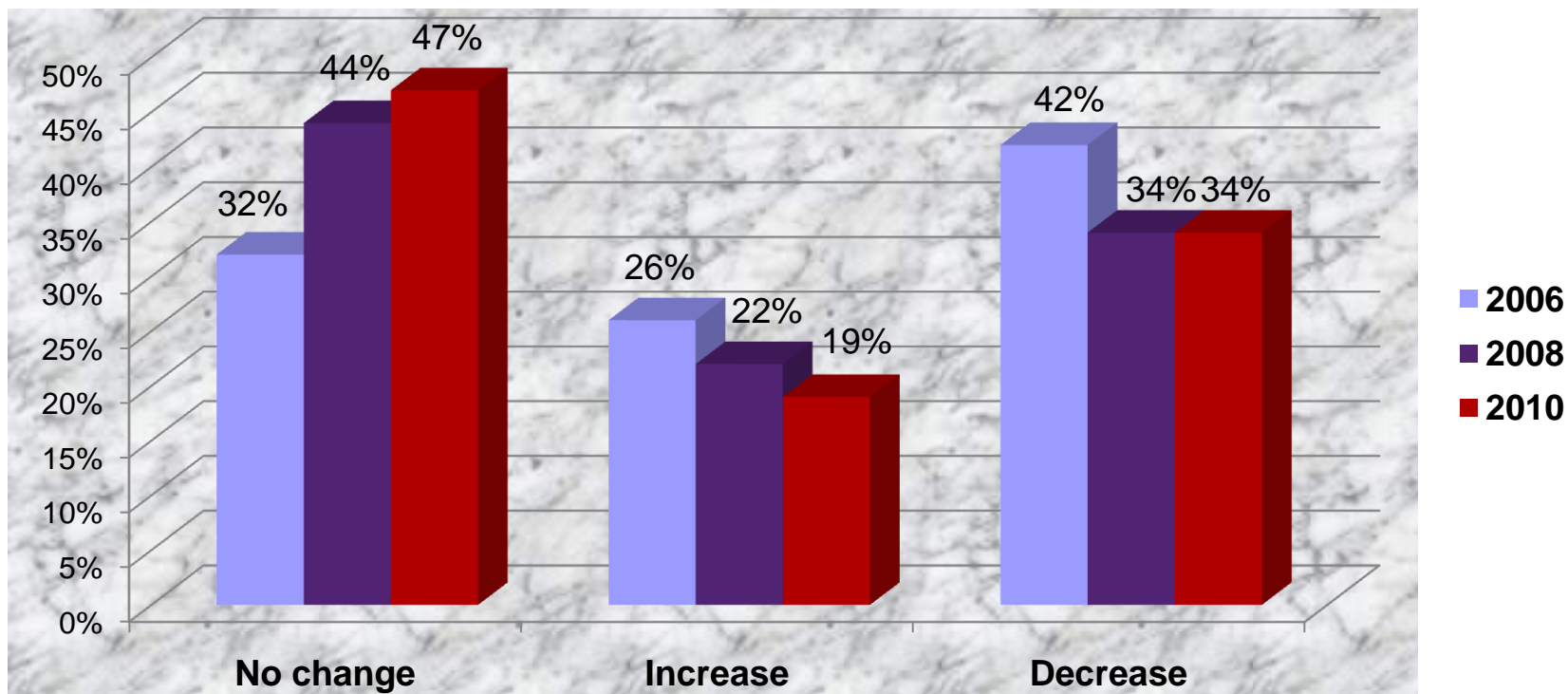
Source: *Survey of Employer Participation in the Texas Workers' Compensation System*, Public Policy Research Institute at Texas A&M University and the Texas Department of Insurance Workers' Compensation Research and Evaluation Group, 2010.

Percentage of Subscribers That Indicated They Experienced a Premium Increase, by Employment Size, 2004 - 2010



Source: *Survey of Employer Participation in the Texas Workers' Compensation System*, Public Policy Research Institute at Texas A&M University and the Texas Department of Insurance Workers' Compensation Research and Evaluation Group, 2010.

Percentage of Large Subscribers (500 + employees) That Indicated They Experienced No change, Increase, or Decrease in their Premiums, 2006-2010



Source: *Survey of Employer Participation in the Texas Workers' Compensation System*, Public Policy Research Institute at Texas A&M University and the Texas Department of Insurance Workers' Compensation Research and Evaluation Group, 2010.

Workers' Compensation Network Participation Levels



Employer Participation in Networks

By Top 13 Carrier Groups

	As of Fall 2007	As of Fall 2008	As of Fall 2009	As of Fall 2010
Network Participation				
Total Number of Policyholders Participating by Premium size (Texas only premium)	29,146	34,040	36,806	39,643*
Less than \$5,000 in premium	13,689(48%)	15,937(47%)	17,486(48%)	19,896(50%)
\$5,000-\$24,999 in premium	9,869(35%)	11,659(34%)	12,795(35%)	13,389(34%)
\$25,000-\$100,000 in premium	4,302(14%)	4,940(15%)	5,254(14%)	5,006(13%)
More than \$100,000 in premium	1,275(3%)	1,509(4%)	1,264(3%)	1,344(3%)



Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.

Note *: 39,643 policy holders represents approximately 16 percent of all Texas subscribers

Results from Data Call of Top 13 Insurance Carrier Groups

- ❑ As of July 1, 2010 12 out of 13 carrier groups have contracted with or established a certified WC network
- ❑ All carrier groups with a network have already begun offering it to policyholders and 10 out 12 carriers offer premium credits
- ❑ As of July, 2010— approx 39,643 policyholders agreed to participate in networks, 8 percent increase over 2009
- ❑ Approximately 84 percent are small to medium policyholders with less than \$25,000 in premium
- ❑ Carriers estimate that approximately 180,000 will be treated by networks by the end of CY 2011



Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.

Results from Certified Networks' Data Call

- ❑ Currently 30 networks are certified by TDI covering over 249 Texas counties
- ❑ As of February 1, 2010, 142,000 injured workers were treated by 27 certified networks since the certification of the first network in 2006
- ❑ Roughly 21% of all new injuries are being treated by networks
- ❑ One network accounts for 47 percent of injured workers treated in networks, down from 53 percent a year ago, the result of smaller networks treating an increasing share of injured workers



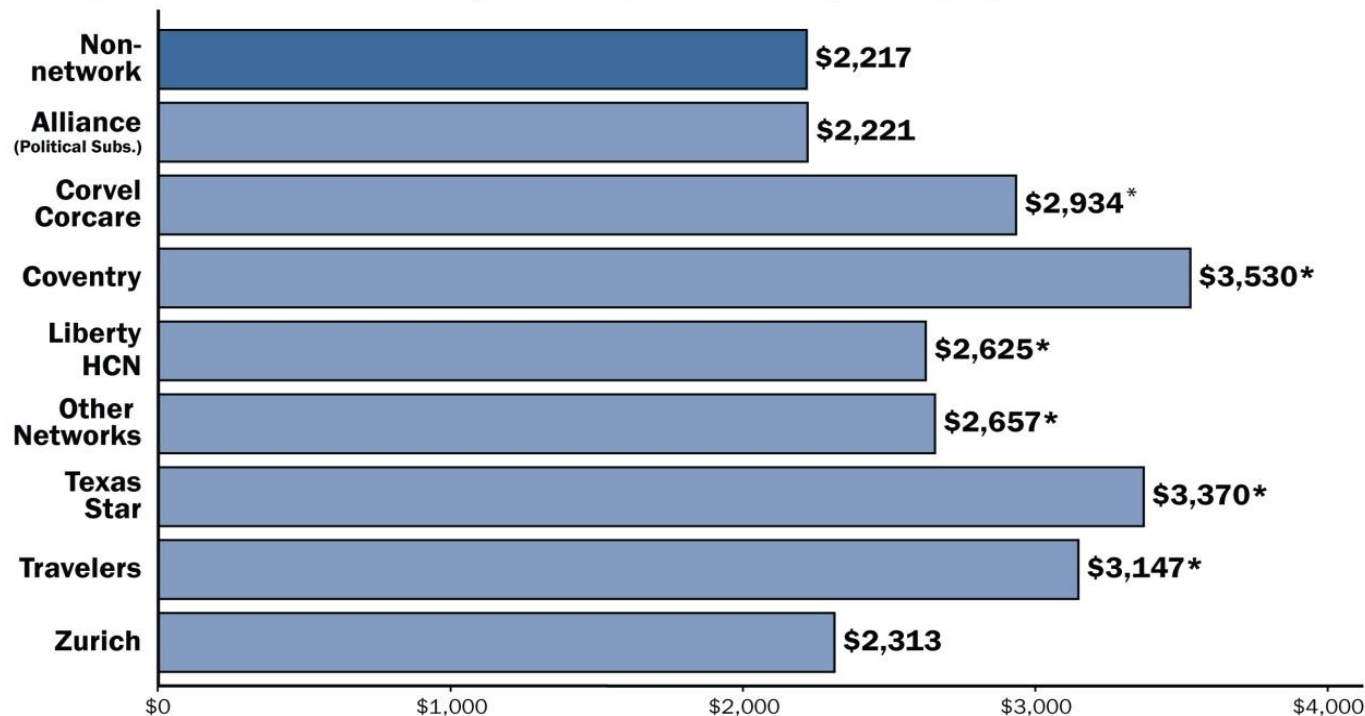
Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.

Workers' Compensation Network Report Card 2010



Health care costs–2010

Average overall medical cost per claim, six months post injury



* Note: Differences between the network and non-network are statistically significant.

Note 1 : One network reported missing data after the completion of the network report card. That network's results may be adjusted once recalculation is completed.

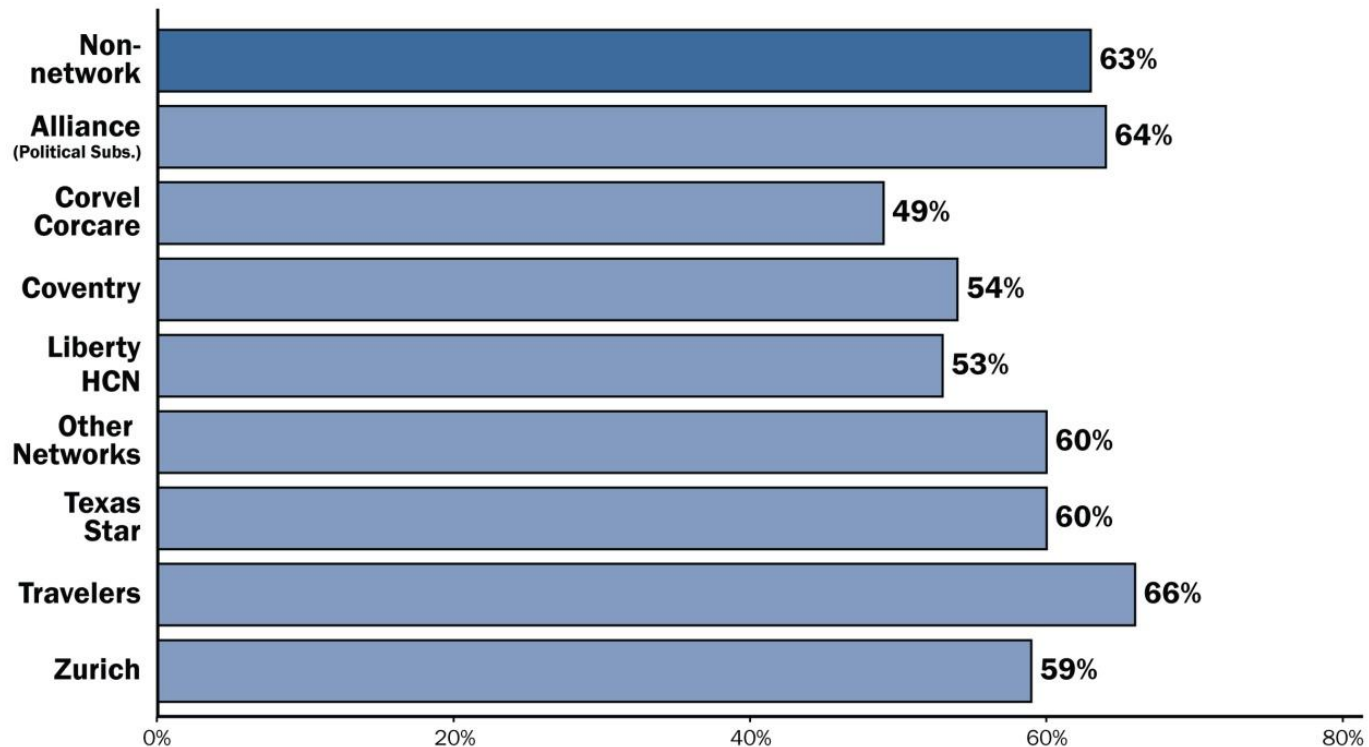


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Access to care–2010

Getting needed care

Percent of injured workers who reported no problem getting: a personal doctor they like • to see a specialist • necessary tests or treatment • timely approvals for care



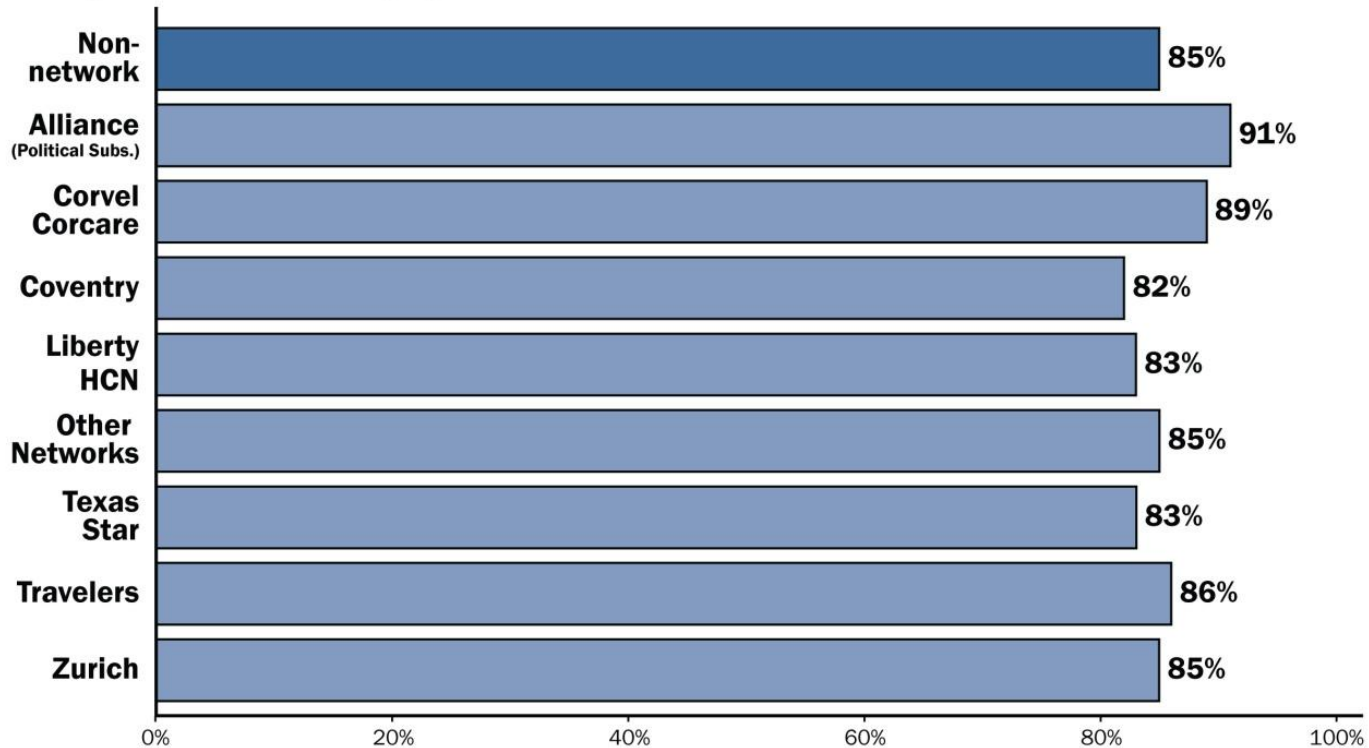
Note : One network reported missing data after the completion of the network report card. That network's results may be adjusted once recalculation is completed.



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Return-to-work-2010

Percentage of injured workers who indicated that they went back to work at some point after their injury



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